



ANNUAL STATEMENT
For the Year Ending December 31, 2004
OF THE CONDITION AND AFFAIRS OF THE
Health Plan of Michigan, Inc.

NAIC Group Code	0000	0000	NAIC Company Code	52563	Employer's ID Number	38-3253977
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated	12/31/1995		Commenced Business	12/31/1995		
Statutory Home Office	17515 W. Nine Mile Road, Suite 650		Southfield, MI 48075			
	(Street and Number)		(City, or Town, State and Zip Code)			
Main Administrative Office	17515 W. Nine Mile Road, Suite 650					
	(Street and Number)					
	Southfield, MI 48075		(248)557-3700			
	(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Mail Address	17515 W.Nine Mile Road, Suite 650		Southfield, MI 48075			
	(Street and Number or P.O. Box)		(City, or Town, State and Zip Code)			
Primary Location of Books and Records	Same					
	(Street and Number)					
	Same,		(248)557-3700			
	(City, or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Internet Website Address	www.hpmich.com					
Statutory Statement Contact	Jon B. Cotton		(248)204-6011			
	(Name)		(Area Code)(Telephone Number)(Extension)			
	jcotton@hpmich.com		(248)557-4638			
	(E-Mail Address)		(Fax Number)			
Policyowner Relations Contact	17515 W. Nine Mile Road, Suite 650					
	(Street and Number)					
	Southfield, MI 48075		(248)557-3700			
	(City, or Town, State and Zip Code)		(Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
David B. Cotton M.D.	President/CEO
Thomas Lauzon	Secretary/CIO
Janice Torosian	Treasurer/CFO

OTHERS

DIRECTORS OR TRUSTEES

Timothy Beck
Thomas Lauzon
Melanie Shearman

George Ellis
Laura Leege

State of Michigan
County of Oakland ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
David B. Cotton, M.D.	Thomas Lauzon	Janice Torosian
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[]
day of	b. If no,	
, 2005	1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	4,684,991		4,684,991	3,838,957
2.	Stocks (Schedule D)				
2.1	Preferred stocks	370,062		370,062	443,320
2.2	Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances)	116,825	52,571	64,254	59,146
4.2	Properties held for the production of income (less \$..... encumbrances)	528,744		528,744	622,104
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....17,500,477 Schedule E Part 1), cash equivalents (\$..... Schedule E Part 2) and short-term investments (\$.....10,125,000 Schedule DA)	27,625,477		27,625,477	22,605,542
6.	Contract loans (including \$..... premium notes)				
7.	Other invested assets (Schedule BA)	3,317,999		3,317,999	1,056,181
8.	Receivable for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	36,644,098	52,571	36,591,527	28,625,250
11.	Investment income due and accrued	48,475		48,475	38,927
12.	Premiums and considerations				
12.1	Uncollected premiums and agents' balances in the course of collection				
12.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums)				
12.3	Accrued retrospective premiums				
13.	Reinsurance:				
13.1	Amounts recoverable from reinsurers				
13.2	Funds held by or deposited with reinsured companies				
13.3	Other amounts receivable under reinsurance contracts				
14.	Amounts receivable relating to uninsured plans				
15.1	Current federal and foreign income tax recoverable and interest thereon				
15.2	Net deferred tax asset	238,000		238,000	35,000
16.	Guaranty funds receivable or on deposit				
17.	Electronic data processing equipment and software	705,298	210,657	494,641	221,852
18.	Furniture and equipment, including health care delivery assets (\$.....)	142,876	64,295	78,581	94,459
19.	Net adjustment in assets and liabilities due to foreign exchange rates				
20.	Receivables from parent, subsidiaries and affiliates				
21.	Health care (\$.....) and other amounts receivable	1,911,305	203,592	1,707,713	1,540,228
22.	Other assets nonadmitted				
23.	Aggregate write-ins for other than invested assets	977,868	966,075	11,793	27,996
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	40,667,920	1,497,190	39,170,730	30,583,712
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	40,667,920	1,497,190	39,170,730	30,583,712
DETAILS OF WRITE-INS					
0901	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	Cubicle Deposits	11,793		11,793	27,996
2302.	Acquired Membership Value	947,130	947,130		
2303.	Long Term Investment Fair Value Adjustment	(16,248)	(16,248)		
2398.	Summary of remaining write-ins for Line 23 from overflow page	35,193	35,193		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	977,868	966,075	11,793	27,996

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)	14,702,021		14,702,021	11,310,442
2.	Accrued medical incentive pool and bonus amounts	533,045		533,045	274,691
3.	Unpaid claims adjustment expenses	367,000		367,000	274,141
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	2,115,631		2,115,631	533,982
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses))	1,005,000		1,005,000	1,850,000
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittance and items not allocated				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15.	Amounts due to parent, subsidiaries and affiliates				
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured accident and health plans				
21.	Aggregate write-ins for other liabilities (including \$..... current)				1,336,623
22.	Total liabilities (Lines 1 to 21)	18,722,697		18,722,697	15,579,879
23.	Common capital stock	X X X	X X X	44,700	44,700
24.	Preferred capital stock	X X X	X X X		
25.	Gross paid in and contributed surplus	X X X	X X X	251,363	251,363
26.	Surplus notes	X X X	X X X		
27.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
28.	Unassigned funds (surplus)	X X X	X X X	20,151,972	14,707,771
29.	Less treasury stock, at cost:	X X X	X X X		
29.1	..... shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2	..... shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30.	Total capital and surplus (Lines 23 to 28 minus Line 29)	X X X	X X X	20,448,035	15,003,834
31.	Total Liabilities, capital and surplus (Lines 22 and 30)	X X X	X X X	39,170,732	30,583,713
DETAILS OF WRITE-INS					
2101.	Quality Assurance Assessment Fee				1,336,623
2102	.....			
2103	.....			
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)				1,336,623
2701	.....	X X X	X X X		
2702	.....	X X X	X X X		
2703	.....	X X X	X X X		
2798.	Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	980,917	692,288
2.	Net premium income (including \$..... non-health premium income)	X X X	151,312,694	97,918,564
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X	(8,170,844)	(3,570,168)
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	143,141,850	94,348,396
Hospital and Medical:				
9.	Hospital/medical benefits		79,120,511	47,273,631
10.	Other professional services		697,413	514,229
11.	Outside referrals		8,156,888	5,390,706
12.	Emergency room and out-of-area		5,285,063	2,987,796
13.	Prescription drugs		25,423,291	16,831,597
14.	Aggregate write-ins for other hospital and medical		26,124	64,347
15.	Incentive pool, withhold adjustments and bonus amounts		1,216,093	639,099
16.	Subtotal (Lines 9 to 15)		119,925,383	73,701,405
Less:				
17.	Net reinsurance recoveries		132,420	402,288
18.	Total hospital and medical (Lines 16 minus 17)		119,792,963	73,299,117
19.	Non-health claims			
20.	Claims adjustment expenses, including \$..... cost containment expenses		934,625	824,833
21.	General administrative expenses		12,823,777	7,926,421
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		133,551,365	82,050,371
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	9,590,485	12,298,025
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		391,471	184,044
26.	Net realized capital gains (losses)		90,808	
27.	Net investment gains (losses) (Lines 25 plus 26)		482,279	184,044
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
29.	Aggregate write-ins for other income or expenses		17,762	609
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	10,090,526	12,482,678
31.	Federal and foreign income taxes incurred	X X X	3,271,000	4,566,082
32.	Net income (loss) (Lines 30 minus 31)	X X X	6,819,526	7,916,596
DETAILS OF WRITE-INS				
0601.	Quality Assurance Fee	X X X	(7,916,601)	(3,570,168)
0602.	MI Primary Care Association Assessment	X X X	(254,243)	
0603	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	(8,170,844)	(3,570,168)
0701	.....	X X X		
0702	.....	X X X		
0703	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Hearing/Speech devices		26,124	64,347
1402	.....		
1403	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		26,124	64,347
2901.	Sale of Furniture		12	609
2902.	Rental Income		17,750	
2903	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		17,762	609

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	15,003,834	8,520,273
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32	6,819,526	7,916,596
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Net unrealized capital gains and losses	247,757	53,995
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		21,000
39.	Change in nonadmitted assets	(123,084)	8,305
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		(16,335)
44.	Capital Changes:		
44.1	Paid in		(5,199)
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		(29,239)
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders	(1,500,000)	(750,000)
47.	Aggregate write-ins for gains or (losses) in surplus		(715,562)
48.	Net change in capital and surplus (Lines 34 to 47)	5,444,199	6,483,561
49.	Capital and surplus end of reporting year (Line 33 plus 48)	20,448,033	15,003,834
DETAILS OF WRITE-INS			
4701.	Repurchase of Stock		(715,562)
4702	.....	
4703	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		(715,562)

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	141,805,227	97,918,564
2.	Net investment income	381,923	145,117
3.	Miscellaneous income		(2,233,545)
4.	Total (Lines 1 through 3)	142,187,150	95,830,136
5.	Benefit and loss related payments	116,143,030	70,317,264
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	11,605,528	8,352,602
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses)	4,319,000	2,933,724
10.	Total (Lines 5 through 9)	132,067,558	81,603,590
11.	Net cash from operations (Line 4 minus 10)	10,119,592	14,226,546
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	635,901	454,772
12.2	Stocks	70,422	
12.3	Mortgage loans		
12.4	Real estate	711,290	
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds	370,069	
12.8	Total investment proceeds (Lines 12.1 to 12.7)	1,787,681	454,772
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	1,825,161	4,486,344
13.2	Stocks		444,840
13.3	Mortgage loans		
13.4	Real estate	612,429	630,063
13.5	Other invested assets	2,000,000	1,000,000
13.6	Miscellaneous applications	0	
13.7	Total investments acquired (Lines 13.1 to 13.6)	4,437,591	6,561,247
14.	Net increase (decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(2,649,910)	(6,106,475)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		(34,438)
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders	1,500,000	750,000
16.6	Other cash provided (applied)	(949,747)	(1,366,536)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(2,449,747)	(2,150,974)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)	5,019,935	5,969,097
19.	Cash and short-term investments:		
19.1	Beginning of year	22,605,542	16,636,445
19.2	End of year (Line 18 plus Line 19.1)	27,625,477	22,605,542

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS
(Gain and Loss Exhibit)

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other Health	Other Non-Health
1.	Net premium income	151,312,694							151,312,694					
2.	Change in unearned premium reserves and reserve for rate credit ..													
3.	Fee-for-service (net of \$..... medical expenses)													X X X
4.	Risk revenue													X X X
5.	Aggregate write-ins for other health care related revenues	(8,170,844)							(8,170,844)					X X X
6.	Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7.	Total revenues (Lines 1 to 6)	143,141,850							143,141,850					
8.	Hospital/medical benefits	79,120,511							79,120,511					X X X
9.	Other professional services	697,413							697,413					X X X
10.	Outside referrals	8,156,888							8,156,888					X X X
11.	Emergency room and out-of-area	5,285,063							5,285,063					X X X
12.	Prescription drugs	25,423,291							25,423,291					X X X
13.	Aggregate write-ins for other hospital and medical	26,124							26,124					X X X
14.	Incentive pool, withhold adjustments and bonus amounts	1,216,093							1,216,093					X X X
15.	Subtotal (Lines 8 to 14)	119,925,383							119,925,383					X X X
16.	Net reinsurance recoveries	132,420							132,420					X X X
17.	Total hospital and medical (Lines 15 minus 16)	119,792,963							119,792,963					X X X
18.	Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19.	Claims adjustment expenses including \$..... cost containment expenses	934,625							934,625					
20.	General administrative expenses	12,823,777							12,823,777					
21.	Increase in reserves for accident and health contracts													X X X
22.	Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23.	Total underwriting deductions (Lines 17 to 22)	133,551,365							133,551,365					
24.	Net underwriting gain or (loss) (Line 7 minus Line 23)	9,590,485							9,590,485					
DETAILS OF WRITE-INS														
0501.	Quality Assurance Program	(7,916,601)							(7,916,601)					X X X
0502.	MI Primary Care Association Assessment	(254,243)							(254,243)					X X X
0503														X X X
0598.	Summary of remaining write-ins for Line 5 from overflow page													X X X
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	(8,170,844)							(8,170,844)					X X X
0601			X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602			X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603			X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698.	Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301.	Hearing/Speech Devices	26,124							26,124					X X X
1302														X X X
1303														X X X
1398.	Summary of remaining write-ins for Line 13 from overflow page													X X X
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	26,124							26,124					X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
Line of Business					
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employee Health Benefits Plan .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid	151,862,631	.....	549,937	151,312,694
8.	Stop loss .....	.....	.....	.....	.....
9.	Disability income .....	.....	.....	.....	.....
10.	Long-term care .....	.....	.....	.....	.....
11.	Other health .....	.....	.....	.....	.....
12.	Health subtotal (Lines 1 through 11)	151,862,631	.....	549,937	151,312,694
13.	Life .....	.....	.....	.....	.....
14.	Property/casualty .....	.....	.....	.....	.....
15.	TOTALS (Lines 12 to 14)	151,862,631	.....	549,937	151,312,694

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - Claims Incurred During the Year

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1.	Payments during the year:													
	1.1 Direct	115,317,712							115,317,712					
	1.2 Reinsurance assumed													
	1.3 Reinsurance ceded	132,420							132,420					
	1.4 Net	115,185,292							115,185,292					
2.	Paid medical incentive pools and bonuses	957,739							957,739					
3.	Claim liability December 31, current year from Part 2A:													
	3.1 Direct	14,702,020							14,702,020					
	3.2 Reinsurance assumed													
	3.3 Reinsurance ceded													
	3.4 Net	14,702,020							14,702,020					
4.	Claim reserve December 31, current year from Part 2D:													
	4.1 Direct													
	4.2 Reinsurance assumed													
	4.3 Reinsurance ceded													
	4.4 Net													
5.	Accrued medical incentive pools and bonuses, current year	533,045							533,045					
6.	Amounts recoverable from reinsurers December 31, current year ..													
7.	Claim liability December 31, prior year from Part 2A:													
	7.1 Direct	11,310,442							11,310,442					
	7.2 Reinsurance assumed													
	7.3 Reinsurance ceded													
	7.4 Net	11,310,442							11,310,442					
8.	Claim reserve December 31, prior year from Part 2D:													
	8.1 Direct													
	8.2 Reinsurance assumed													
	8.3 Reinsurance ceded													
	8.4 Net													
9.	Accrued medical incentive pools and bonuses, prior year	274,691							274,691					
10.	Amounts recoverable from reinsurers December 31, prior year ..													
11.	Incurred benefits:													
	11.1 Direct	118,709,290							118,709,290					
	11.2 Reinsurance assumed													
	11.3 Reinsurance ceded	132,420							132,420					
	11.4 Net	118,576,870							118,576,870					
12.	Incurred medical incentive pools and bonuses	1,216,093							1,216,093					

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - Claims Liability End of Current Year

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1.	Reported in Process of Adjustment:													
	1.1 Direct													
	1.2 Reinsurance assumed													
	1.3 Reinsurance ceded													
	1.4 Net													
2.	Incurred but Unreported:													
	2.1 Direct	14,702,021							14,702,021					
	2.2 Reinsurance assumed													
	2.3 Reinsurance ceded													
	2.4 Net	14,702,021							14,702,021					
3.	Amounts Withheld from Paid Claims and Capitations:													
	3.1 Direct													
	3.2 Reinsurance assumed													
	3.3 Reinsurance ceded													
	3.4 Net													
4.	TOTALS													
	4.1 Direct	14,702,021							14,702,021					
	4.2 Reinsurance assumed													
	4.3 Reinsurance ceded													
	4.4 Net	14,702,021							14,702,021					

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid	12,699,688	102,485,604	50,000	14,652,020	12,749,688	11,310,442
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8)	12,699,688	102,485,604	50,000	14,652,020	12,749,688	11,310,442
10.	Other non-health .....	.....	.....	.....	.....	.....	.....
11.	Medical incentive pool and bonus amounts	406,069	551,670	.....	533,045	406,069	274,691
12.	TOTALS (Lines 9 to 11)	13,105,757	103,037,274	50,000	15,185,065	13,155,757	11,585,133

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	2,969	33	1		
2.	2000	24,582	5,185	8		2
3.	2001	X X X	32,767	4,641	12	(2)
4.	2002	X X X	X X X	45,448	6,648	59
5.	2003	X X X	X X X	X X X	63,727	13,047
6.	2004	X X X	X X X	X X X	X X X	103,037

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	2,969	33	1		
2.	2000	30,711	5,219	8		2
3.	2001	X X X	39,680	4,716	12	(2)
4.	2002	X X X	X X X	54,046	6,706	59
5.	2003	X X X	X X X	X X X	75,254	13,097
6.	2004	X X X	X X X	X X X	X X X	118,222

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2000	33,971	29,777			29,777	87.654			29,777	87.654
2.	2001	49,300	37,418	380	1.016	37,798	76.669			37,798	76.669
3.	2002	64,563	52,155	554	1.062	52,709	81.640			52,709	81.640
4.	2003	97,919	76,774	755	0.983	77,529	79.177	50	1	77,580	79.229
5.	2004	143,142	103,037	842	0.817	103,879	72.571	15,185	366	119,430	83.435

12 Total

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare	NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	2,969	33	1		
2.	2000	24,582	5,185	8		2
3.	2001	X X X	32,767	4,641	12	(2)
4.	2002	X X X	X X X	45,448	6,648	59
5.	2003	X X X	X X X	X X X	63,727	13,047
6.	2004	X X X	X X X	X X X	X X X	103,037

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior	2,969	33	1		
2.	2000	30,711	5,219	8		2
3.	2001	X X X	39,680	4,716	12	(2)
4.	2002	X X X	X X X	54,046	6,706	59
5.	2003	X X X	X X X	X X X	75,254	13,097
6.	2004	X X X	X X X	X X X	X X X	118,222

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2000	33,971	29,777			29,777	87.654			29,777	87.654
2.	2001	49,300	37,418	380	1.016	37,798	76.669			37,798	76.669
3.	2002	64,563	52,155	554	1.062	52,709	81.640			52,709	81.640
4.	2003	97,919	76,774	755	0.983	77,529	79.177	50	1	77,580	79.229
5.	2004	143,142	103,037	842	0.817	103,879	72.571	15,185	366	119,430	83.435

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$..... for occupancy of own building)		34,066	204,496		238,562
2.	Salaries, wages and other benefits		737,688	8,917,377		9,655,065
3.	Commissions (less \$..... ceded plus \$..... assumed)					
4.	Legal fees and expenses			118,602		118,602
5.	Certifications and accreditation fees					
6.	Auditing, actuarial and other consulting services			227,727	29,483	257,210
7.	Traveling expenses		182	184,524		184,706
8.	Marketing and advertising			32,748		32,748
9.	Postage, express and telephone		27,544	337,656		365,200
10.	Printing and office supplies		7,525	478,232		485,757
11.	Occupancy, depreciation and amortization			154,172	82,119	236,291
12.	Equipment			168,356		168,356
13.	Cost or depreciation of EDP equipment and software			455,428		455,428
14.	Outsourced services including EDP, claims, and other services		127,020	563,919		690,939
15.	Boards, bureaus and association fees		600	66,129		66,729
16.	Insurance, except on real estate			132,647		132,647
17.	Collection and bank service charges			33,780		33,780
18.	Group service and administration fees					
19.	Reimbursements by uninsured accident and health plans					
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses					
22.	Real estate taxes			23,226		23,226
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes			293,498		293,498
23.2	State premium taxes					
23.3	Regulator authority licenses and fees			14,592		14,592
23.4	Payroll taxes			411,866		411,866
23.5	Other (excluding federal income and real estate taxes)					
24.	Investment expenses not included elsewhere				50	50
25.	Aggregate write-ins for expenses			4,800		4,800
26.	Total expenses incurred (Lines 1 to 25)		934,625	12,823,775	111,652	(a) ... 13,870,052
27.	Less expenses unpaid December 31, current year		367,000	2,115,631		2,482,631
28.	Add expenses unpaid December 31, prior year		274,141	533,982		808,123
29.	Amounts receivable relating to uninsured accident and health plans, prior year					
30.	Amounts receivable relating to uninsured accident and health plans, current year					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) ..		841,766	11,242,126	111,652	12,195,544
DETAILS OF WRITE-INS						
2501.	IRS Penalty			4,800		4,800
2502	.....				
2503	.....				
2598.	Summary of remaining write-ins for Line 25 from overflow page					
2599.	Totals (Lines 2501 through 2503 + 2598)(Line 25 above)			4,800		4,800

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a)..... 12,483	..... 17,460
1.1	Bonds exempt from U.S. tax	(a)..... 119,556	..... 130,666
1.2	Other bonds (unaffiliated)	(a)..... 45,882	..... 45,882
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b)..... 24,018	..... 24,018
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c).....	
4.	Real estate	(d).....	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e).....	..... 285,097
7.	Derivative instruments	(f).....	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income .....	..... 201,939	..... 503,123
11.	Investment expenses		(g)..... 111,652
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h).....
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15) .....		..... 111,652
17.	Net Investment income (Line 10 minus Line 16) .....		..... 391,471
DETAILS OF WRITE-INS			
0901	.....	.....	.....
0902	.....	.....	.....
0903	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501	.....	.....	.....
1502	.....	.....	.....
1503	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....
(a) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.			
(c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(d) Includes \$..... for company's occupancy of its own buildings; and excluding \$..... interest on encumbrances.			
(e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(f) Includes \$..... accrual of discount less \$..... amortization of premium.			
(g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.			
(i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....	..... 2,680			..... 2,680
1.1	Bonds exempt from U.S. tax				
1.2	Other bonds (unaffiliated) .....	..... (469)			..... (469)
1.3	Bonds of affiliates				
2.1	Preferred stocks (unaffiliated) .....	..... (588)			..... (588)
2.11	Preferred stocks of affiliates				
2.2	Common stocks (unaffiliated)				
2.21	Common stocks of affiliates				
3.	Mortgage loans				
4.	Real estate .....	..... 89,186			..... 89,186
5.	Contract loans				
6.	Cash, cash equivalents and short-term investments				
7.	Derivative instruments				
8.	Other invested assets				
9.	Aggregate write-ins for capital gains (losses)				
10.	Total capital gains (losses) .....	..... 90,809			..... 90,809
DETAILS OF WRITE-INS					
0901	.....	.....	.....	.....	.....
0902	.....	.....	.....	.....	.....
0903	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks		6,594	6,594
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company	52,571	10,438	(42,133)
4.2	Properties occupied by the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivable for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)	52,571	17,032	(35,539)
11.	Invested income due and accrued			
12.	Premium and considerations:			
12.1	Uncollected premiums and agents' balances in the course of collection			
12.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
12.3	Accrued retrospective premiums			
13.	Reinsurance:			
13.1	Amounts recoverable from reinsurers			
13.2	Funds held by or deposited with reinsured companies			
13.3	Other amounts receivable under reinsurance contracts			
14.	Amounts receivable relating to uninsured plans			
15.1	Current federal and foreign income tax recoverable and interest thereon			
15.2	Net deferred tax asset			
16.	Guaranty funds receivable or on deposit			
17.	Electronic data processing equipment and software	210,657	178,568	(32,089)
18.	Furniture and equipment, including health care delivery assets	64,295	16,669	(47,626)
19.	Net adjustment in assets and liabilities due to foreign exchange rates			
20.	Receivable form parent, subsidiaries and affiliates			
21.	Health care and other amounts receivable	203,592	105,572	(98,020)
22.	Other assets nonadmitted			
23.	Aggregate write-ins for other than invested assets	966,075	1,056,265	90,190
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,497,190	1,374,106	(123,084)
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	1,497,190	1,374,106	(123,084)
DETAILS OF WRITE-INS				
0901	.....		
0902	.....		
0903	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	Cubicle Deposits			
2302.	Acquired Membership Value	947,130	1,047,810	100,680
2303.	Long Term Investment Fair Value Adjustment	(16,248)	(7,235)	9,013
2398.	Summary of remaining write-ins for Line 23 from overflow page	35,193	15,690	(19,503)
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	966,075	1,056,265	90,190

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations	68,568	77,464	83,423	85,354	87,325	980,917
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service						
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	68,568	77,464	83,423	85,354	87,325	980,917
DETAILS OF WRITE-INS							
0601	.....					
0602	.....					
0603	.....					
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statement

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Health Plan of Michigan, Inc. (the “Company”) operates as a state-licensed health maintenance organization (HMO). Health Plan of Michigan, Inc. provides medical services to persons primarily in southern Michigan who subscribe as recipients of state health benefits (Medicaid benefits).

Physician and Hospital Contracts - The Company contracts directly with physician/physician groups and hospitals for the provision of medical care and compensates the providers on either a capitation or fee for service basis. The Company has a risk sharing agreement with the primary care physicians, and a portion of the capitation payments may be retained for settlement of risk-sharing agreements.

Employer Management Agreement - The Company uses the services of a Professional Employment Organization (PEO) to provide professional employer services, including payroll processing, payroll tax filing, and employee benefit administration. Under this agreement, there exists a co-employment relationship, in which both the Company and PEO have an employment relationship with the worksite employees.

Funds Maintained Under Statutory Requirements - The Company maintains funds under statutory or contractual requirements to protect members and health care providers in the event the Company is unable to meet its contractual obligations. These funds can be issued only at the direction of the applicable insurance commissioner or other regulatory agency in accordance with statutory and contractual provisions. The Company can utilize interest earned on these funds. At December 31, 2004 and 2003, \$1,061,889 and \$1,050,599, respectively, were held in cash to fulfill these requirements.

Statutory Basis of Accounting - The financial statements have been prepared in accordance with NAIC *Accounting Practices and Procedures* manual and the statutory accounting principles as prescribed by the Michigan Office of Financial and Insurance Services. Statutory accounting principles differ from generally accepted accounting principles (“GAAP”) in their definition of assets and liabilities. Specifically, certain assets (such as intangible assets, certain receivables, prepaid expenses, and software) are excluded from the statutory-basis balance sheet. GAAP net assets exceed statutory net assets by approximately \$1,497,190 and \$1,374,106 at December 31, 2004 and 2003, respectively. The Company adopted the NAIC’s Codification of Statutory Accounting Principles on January 1, 2003 at the direction of the Michigan Office of Financial and Insurance Services. There are no significant differences between statutory accounting principles prescribed by the NAIC and the State of Michigan accounting requirements that are applicable to the Company, except for the transition period provided for certain statements of statutory accounting principles (SSAPs), by the State of Michigan. The statements of statutory accounting principles for which a transition period has been provided are SSAP 16 – Electronic Data Processing Equipment and Software; SSAP 19 – Furniture and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements; and SSAP 84 Certain Health Care Receivables and Receivables Under Government Insured Plans. The impact on statutory surplus of the difference in accounting principles prescribed by the NAIC and the State of Michigan, due to the transition periods allowed for the above referenced SSAP’s is \$142,835 and \$153,606 at December 31, 2004 and 2003, respectively.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Certificates of deposit in banks or similar financial institutions with maturity dates of one year or less from the acquisition date are also considered cash under statutory accounting principles, and are reported at fair market value.

Accounts Receivable - Management believes all receivables are fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Bonds – bonds are stated at amortized cost using the interest method.

Preferred stocks – preferred stocks are stated at amortized cost.

Notes to Financial Statement

Investments in Joint Ventures, Partnerships and Limited Liability Companies – investments in limited partnerships are accounted for using the equity method.

Real Estate Investments – Real estate investments consist of property held for the production of income and are valued at the lower of cost or realizable fair market value.

Property and Equipment - Fixed assets are recorded at cost. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for property and equipment totaled \$460,604 and \$269,174 for the years ended December 31, 2004 and 2003, respectively.

Income Taxes - The Company accounts for income taxes as prescribed by SSAP Number 9. A current liability or asset is recognized based on amounts currently payable or refundable on the current year tax return. Deferred liabilities or assets are reported for the estimated future tax effects of temporary differences between statutory and tax accounting methods.

Revenue Recognition - Medicaid capitation premiums are recognized in the period members are entitled to related health care services.

Recognition of Health Care Service Costs - Health care service costs and the related liabilities for claims payable are recorded when medical services are authorized, as well as when services are provided without authorization to the extent such services are expected to be ultimately authorized. Claims payable includes an actuarially determined estimate of the ultimate cost of settling claims.

Use of Estimates - The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain significant estimates exist relating to claims payable. It is at least reasonably possible that these estimates will be materially revised in the near term.

Note 2 - Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services. Effective January 1, 2003, the State of Michigan requires that health maintenance organizations domiciled in the State of Michigan prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual in effect on January 1, 2003 subject to any deviations prescribed or permitted by the State of Michigan insurance commissioner. The effect of this accounting change resulted in a reduction of capital and surplus of \$16,335 as of January 1, 2003.

Note 3 - Business Combinations and Goodwill

This Note is not applicable to the Company.

Note 4 - Discontinued Operations

This Note is not applicable to the Company.

Note 5 - Investments

This Note is not applicable to the Company.

Note 6 - Joint Ventures, Partnerships, and Limited Liability Companies

The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of the admitted assets of the Company.

Note 7 - Investment Income

Notes to Financial Statement

This Note is not applicable to the Company.

Note 8 - Derivative Instruments

This Note is not applicable to the Company.

Note 9 - Income Taxes

Income tax expense totaled \$3,271,000 and \$4,566,082 at December 31, 2004 and 2003, respectively.

At December 31, 2004 and 2003 the Company's balance sheet reflects the following amounts for federal income taxes:

	<u>2004</u>	<u>2003</u>
Current tax due	\$1,005,000	\$1,850,000
Net deferred tax asset	<u>238,000</u>	<u>(35,000)</u>
	767,000	1,815,000

The components of the net deferred tax asset at December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Total deferred tax assets	\$(440,000)	\$(126,000)
Total deferred tax liabilities	<u>202,000</u>	<u>91,000</u>
Net Deferred tax asset - fully admitted	(238,000)	\$(35,000)
Total Deferred tax assets nonadmitted		

Current income taxes incurred and changes in deferred taxes consist of the following for 2004:

Current tax expense	\$3,474,000
Net change in admitted statutory deferred taxes	<u>(203,000)</u>
	<u>\$3,271,000</u>

The main components of the 2004 deferred tax amounts are as follows:

<u>DTA's</u>	<u>Statutory</u>	<u>Tax</u>	<u>Difference</u>	<u>Tax Effect</u>
Accrued paid time off	135,327	-	(135,327)	(46,000)
Accrued Payroll	1,814,744	998,744	(816,000)	(277,000)
Claims reserves	<u>13,521,000</u>	<u>13,178,216</u>	<u>(342,784)</u>	<u>(117,000)</u>
Total	15,471,071	14,176,960	(1,294,111)	(440,000)
<u>DTLs</u>				
Net book value of fixed and amortized assets	1,492,949	1,144,592	348,357	118,500
Investments	<u>18,496,823</u>	<u>18,251,252</u>	<u>245,571</u>	<u>83,500</u>
Total	19,989,772	19,395,844	593,928	202,000

Changes in the main components of DTAs and DTLs are as follows:

	<u>2003</u>	<u>2004</u>	<u>Change</u>	Tax Effect
Accrued paid time off	(101,614)	(135,327)	(33,713)	(11,462)
Claims reserve discount	(270,217)	(342,784)	(72,567)	(24,673)
Fair value of temporary depreciation & amortization timing differences	214,217	348,357	134,140	45,608
Unrealized gain	53,995	245,571	191,576	65,136
Accrued payroll		(816,000)	(816,000)	(277,440)
Other adjustments	=	=	=	<u>(168)</u>
	<u>(103,619)</u>	<u>(700,183)</u>	<u>(596,564)</u>	<u>(203,000)</u>

Significant Book Tax Adjustments were as follows:

	<u>Amount</u>	<u>Tax Effect</u>
Income Before taxes	10,923,527	3,525,533

Notes to Financial Statement

Reserve discount	72,567	24,854
Depreciation and amortization	(134,140)	(45,943)
Accrued paid time off	33,713	11,547
Accrued payroll	816,000	279,480
Tax exempt interest	(119,975)	(41,091)
Other	<u>(22,137)</u>	<u>(7,582)</u>
Total	<u>10,939,555</u>	<u>3,746,797</u>

The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net operating losses:

2004	\$3,271,000
2003	\$4,566,082

The Company’s tax return is consolidated with Caidan Enterprises, Inc., its parent company. Federal income tax will be allocated to the Company, as if the Company were filing a separate income tax return. The Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Note 10 - Information Concerning Parent, Subsidiaries, and Affiliates

The Company is a wholly owned subsidiary of a holding company, Caidan Enterprises, Inc., as of December 31, 2003. In 2004, the Company paid dividends of \$1,500,000.

The Company is committed to repurchase the stock of minority stockholders upon termination or retirement based on a contractually determined amount. During 2003, a stockholder terminated his employment with the Company. The Company repurchased 1,376 shares of stock for \$750,000 under the agreement.

Note 11 - Debt

The Company has no outstanding debt at December 31, 2004.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences, and Other Postretirement Benefit Plans

This Note is not applicable to the Company.

Note 13 - Capital and Surplus, Stockholders’ Dividend Restrictions, and Quasi-Reorganizations

The Company has 100,000 common shares authorized and 1,000 shares issued and outstanding at December 31, 2004. All shares are common stock with a stated value of \$44.70 per share.

Subject to other regulatory limitations on capital and surplus and working capital, the Company is limited by statute to paying dividends no greater than 10 percent of annual income without prior approval of the Michigan Office of Financial and Insurance Services.

The portion of unassigned funds (surplus) represented or reduced by changes in non-admitted asset values is \$123,084, and \$29,305 at December 31, 2004 and 2003, respectively. The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is \$247,757 and \$53,995 at December 31, 2004 and 2003, respectively.

Note 14 - Contingencies

At December 31, 2004, the Company is not aware of, nor has it been informed of any pending litigation. No amounts have been accrued for contingencies.

Notes to Financial Statement

Note 15 - Leases

The Company leases its office space under an operating lease. Rent expense totaled approximately \$238,562 and \$171,412 for 2004 and 2003, respectively. The future minimum rental payments under the operating lease as of December 31, 2004 are as follows:

2005	303,906
2006	359,003
2007	363,986
2008	375,133
2009	160,238

The Company also leases office furniture and equipment under various noncancelable operating lease agreements that expire through February 2010. Rental expense for office furniture and equipment for 2004 and 2003 was approximately \$167,388 and \$105,484, respectively.

The future minimum office furniture and equipment lease payments as of December 31, 2004 are as follows:

2005	\$151,646
2006	102,510
2007	89,426
2008	28,782
2009	10,564
2010	1,761

Note 16 - Information About Financial Instruments with Off-balance-sheet Risk and Financial Instruments with Concentrations of Credit Risk

This Note is not applicable to the Company.

Note 17 - Sale, Transfer, and Servicing of Financial Assets and Extinguishments of Liabilities

This Note is not applicable to the Company

Note 18 - Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

This Note is not applicable to the Company.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This Note is not applicable to the Company.

Note 20 –September 11 Events

This Note is not applicable to the Company.

Notes to Financial Statement

Note 21 – Other Items

At December 31, 2004 and 2003, the Company had admitted assets of \$1,707,713 and \$1,540,228, respectively, in accounts receivable for amounts due from governmental entities and other healthcare providers. The Company routinely assesses the collectibility of these receivables. At December 31, 2004 and 2003 the Company has determined there are no uncollectible receivables.

Note 22 - Events Subsequent

This note is not applicable to the Company.

Note 23 - Reinsurance

Health Plan of Michigan, Inc. maintains a non-cancelable reinsurance policy with a non-affiliated reinsurer to provide coverage on an annual per member basis after a \$150,000 deductible for eligible services is reached. The maximum lifetime reinsurance coverage payable under the agreement is \$2,000,000 per member. The Company has reported premiums net of reinsurance ceded of \$549,937 and \$521,108 as of December 31, 2004 and 2003, respectively. Losses recovered by the Company totaled approximately \$132,420 and \$402,288 in 2004 and 2003, respectively.

The Company does not have reinsurance assumed, uncollectible reinsurance, or retroactive reinsurance.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

This Note is not applicable to the Company.

Note 25 - Change in Incurred Claims and Claim Adjustment Expenses

An enrolled actuary has determined the estimated reserve for claims incurred but not reported. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has increased by \$1,570,624, as a result of reestimation of unpaid claims and claim adjustment expenses. This increase/decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 26 – Intercompany Pooling Arrangements

This note is not applicable to the Company.

Note 27– Structured Settlements

This note is not applicable to the Company.

Note 28 – Health Care Receivables

The Company has no Pharmaceutical Rebate Receivables of December 31, 2004 and \$184,214 receivable at December 31, 2003 included in health care receivables.

Detail of Pharmaceutical Rebate Receivables:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
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Notes to Financial Statement

	Statements		Billing	Billing	After Billing
12/31/2003	\$0	\$105,572	\$0	\$51,403	\$37,954
9/30/2003	\$110,936	\$110,936	\$0	\$0	\$113,808
6/30/2003	\$75,278	\$102,313	\$0	\$27,035	\$102,760
3/31/2003	\$0	\$103,466	\$0	\$0	\$103,973
12/31/2002	\$98,338	\$98,338	\$0	\$0	\$102,380
9/30/2002	\$99,398	\$99,398	\$0	\$0	\$96,465
6/30/2002	\$13,238	\$83,354	\$0	\$70,116	\$8,665
3/31/2002	\$10,246	\$82,322	\$0	\$45,747	\$26,328

The Company has no accounts receivable from risk sharing arrangements at December 31, 2004 and 2003.

Note 29 – Participating Policies

This note is not applicable to the company.

Note 30 – Premium Deficiency Reserves

This note is not applicable to the company.

Note 31 – Anticipated Salvage and Subrogation

Loss reserves have not been reduced for any salvage or subrogation. During 2004 and 2003, the Company received subrogation totaling \$85,028 and \$26,398, respectively.

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities	677,806	1.852	677,806	1.852
1.2	U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies				
1.22	Issued by U.S. government sponsored agencies				
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations	1,083,099	2.960	1,083,099	2.960
1.43	Revenue and assessment obligations	1,008,398	2.756	1,008,398	2.756
1.44	Industrial development and similar obligations				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA				
1.512	Issued or Guaranteed by FNMA and FHLMC	1,118,755	3.057	1,118,755	3.057
1.513	All other				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA or FHLMC or VA				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523	All other				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	796,908	2.178	796,908	2.178
2.2	Unaffiliated foreign securities				
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds				
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated	370,062	1.011	370,062	1.011
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated				
3.4	Other equity securities:				
3.41	Affiliated				
3.42	Unaffiliated				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
4.6	Mezzanine real estate loans				
5.	Real estate investments:				
5.1	Property occupied by company	64,254	0.176	64,254	0.176
5.2	Property held for production of income (includes \$..... of property acquired in satisfaction of debt)	528,744	1.445	528,744	1.445
5.3	Property held for sale (\$..... including property acquired in satisfaction of debt)				
6.	Policy loans				
7.	Receivables for securities				
8.	Cash, cash equivalents and short-term investments	27,625,477	75.497	27,625,477	75.497
9.	Other invested assets	3,317,999	9.068	3,317,999	9.068
10.	Total invested assets	36,591,502	100.000	36,591,502	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
Michigan
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2000
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

07/24/2001
- 3.4 By what department or departments?
State of Michigan Office of Financial and Insurance Services
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?

Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Plante & Moran, PLLC 2601 Cambridge Court Suite 500 Auburn Hills, Michigan 48236
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Larry Pfannerstill, Milliman USA 15800 Bluemound Rd. Suite 400 Brookfield, WI 53005-6069; Actuary/consultant with an actuarial firm
11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[] No[X]
- 11.3 Have there been any changes made to any of the trust indentures during the year?

Yes[] No[X]
- 11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes?

Yes[] No[] N/A[X]

BOARD OF DIRECTORS

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[X] No[]
13. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]
14. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes[X] No[]

GENERAL INTERROGATORIES (Continued)
FINANCIAL

15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

15.11 To directors or other officers

15.12 To stockholders not officers

15.13 Trustees, supreme or grand (Fraternal only)

\$
\$
\$

15.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

15.21 To directors or other officers

15.22 To stockholders not officers

15.23 Trustees, supreme or grand (Fraternal only)

\$
\$
\$

16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[] No[X]

16.2 If yes, state the amount thereof at December 31 of the current year:

16.21 Rented from others

16.22 Borrowed from others

16.23 Leased from others

16.24 Other

\$
\$
\$
\$

Disclose in Notes to Financial the nature of each obligation.

17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[] No[X]

17.2 If answer is yes:

17.21 Amount paid as losses or risk adjustment

17.22 Amount paid as expenses

17.23 Other amounts paid

\$
\$
\$

INVESTMENT

18. List the following capital stock information for the reporting entity:

	1	2	3	4	5	6
Class	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
1. Preferred					Yes[] No[] N/A[X]	Yes[] No[] N/A[X]
2. Common	100,000,000	1,000,000	44.700	X X X	X X X	X X X

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes[X] No[]

19.2 If no, give full and complete information, relating thereto:

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1).

Yes[] No[X]

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Loaned to others

20.22 Subject to repurchase agreements

20.23 Subject to reverse repurchase agreements

20.24 Subject to dollar repurchase agreements

20.25 Subject to reverse dollar repurchase agreements

20.26 Pledged as collateral

20.27 Placed under option agreements

20.28 Letter stock or securities restricted as to sale

20.29 Other

\$
\$
\$
\$
\$
\$
\$
\$
\$

20.3 For category (20.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[] No[X]

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes[] No[] N/A[X]

If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[] No[X]

22.2 If yes, state the amount thereof at December 31 of the current year.

\$

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]

23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
Schwab Institutional	1958 Summit Park Place Orlando, FL 32810

23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes[] No[X]

GENERAL INTERROGATORIES (Continued)

23.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

23.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
123286	Roble Asset Management	5700 Corporate Drive, Pittsburgh,PA 15237

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[] No[X]

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
24.2999 Total

24.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

25 Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over statement (+)
25.1 Bonds .....	..... 14,809,966	..... 14,793,470	..... (16,496)
25.2 Preferred stocks .....	..... 370,062	..... 370,311	..... 249
25.3 Totals .....	..... 15,180,028	..... 15,163,781	..... (16,247)

25.4 Describe the sources of methods utilized in determining the fair values
Month end market analysis/valuation

26.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes[X] No[]

26.2 If no, list exceptions:

OTHER

27.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$..... 49,269

27.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans .....	..... 40,789

28.1 Amount of payments for legal expenses, if any? \$..... 83,952

28.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Law Offices of Thomas Waelchli .....	..... 56,775

29.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$..... 36,000

29.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

GENERAL INTERROGATORIES (Continued)

1 Name	2 Amount Paid
Clark Hill PLC .....	..... 36,000

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only:

\$
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned

\$
- 1.62 Total incurred claims

\$
- 1.63 Number of covered lives

\$
- All years prior to most current three years:
- 1.64 Total premium earned

\$
- 1.65 Total incurred claims

\$
- 1.66 Number of covered lives

\$
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned

\$
- 1.72 Total incurred claims

\$
- 1.73 Number of covered lives

\$
- All years prior to most current three years:
- 1.74 Total premium earned

\$
- 1.75 Total incurred claims

\$
- 1.76 Number of covered lives

\$

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator	151,312,694	97,918,564
2.2	Premium Denominator	151,312,694	97,918,564
2.3	Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4	Reserve Numerator	15,235,065	11,585,133
2.5	Reserve Denominator	15,235,066	11,585,133
2.6	Reserve Ratio (2.4 / 2.5)	1.000	1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes[X] No[]
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[] No[X]
- 5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical

\$ 210,000
- 5.32 Medical Only

\$
- 5.33 Medicare Supplement

\$
- 5.34 Dental

\$
- 5.35 Other Limited Benefit Plan

\$
- 5.36 Other

\$
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Insolvency coverage under reinsurance policy and State Mandated Trust Fund
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes[X] No[]
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year

..... 5249
- 8.2 Number of providers at end of reporting year

..... 4228
- 9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[] No[X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months

..... 0
- 9.22 Business with rate guarantees over 36 months

..... 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[X] No[]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses

\$ 1,215,235
- 10.22 Amount actually paid for year bonuses

\$ 551,670
- 10.23 Maximum amount payable withholds

\$ 210,806
- 10.24 Amount actually paid for year withholds

\$
- 11.1 Is the reporting entity organized as:
- 11.12 A medical Group/Staff Model,

Yes[] No[X]
- 11.13 An Individual Practice Association (IPA), or,

Yes[] No[X]
- 11.14 A Mixed Model (combination of above)?

Yes[X] No[]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[]
- 11.3 If yes, show the name of the state requiring such net worth.
Michigan
- 11.4 If yes, show the amount required.

\$ 14,314,185
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[] No[X]
- 11.6 If the amount is calculated, show the calculation.
Net Subscription Revenues (\$151,312,694 - \$8,170,844) \$143,141,850 x 10% = \$14,314,185
12. List service areas in which the reporting entity is licensed to operate:

GENERAL INTERROGATORIES (Continued)

1
Name of Service Area
Allegan, MI
Barry, MI
Berrien, MI
Branch, MI
Calhoun, MI
Cass, MI
Eaton, MI
Genesee, MI
Hillsdale, MI
Huron, MI
Jackson, MI
Kalamazoo, MI
Kent, MI
Lenawee, MI
Livingston, MI
Macomb, MI
Manistee, MI
Monroe, MI
Montcalm, MI
Muskegon, MI
Newaygo, MI
Oakland, MI
Oceana, Mi
Ogemaw, Mi
Oscoda, MI
Ottawa, MI
Roscommon, MI
St. Clair, MI
St. Joseph, MI
Sanilac, MI
Tuscola, MI
Van Buren, MI

FIVE-YEAR HISTORICAL DATA

	1 2004	2 2003	3 2002	4 2001	5 2000
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	39,170,730	30,583,712	18,046,964	12,811,370	7,588,708
2. Total liabilities (Page 3, Line 22)	18,722,697	15,579,879	9,526,691	8,164,118	6,467,565
3. Statutory surplus	14,314,185	9,434,840	1,000,000	1,000,000	1,000,000
4. Total capital and surplus (Page 3, Line 30)	20,448,035	15,003,834	8,520,273	4,647,252	1,121,143
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 8)	143,141,850	94,348,396	64,677,679	49,860,486	33,951,938
6. Total medical and hospital expenses (Line 18)	119,792,963	73,299,117	52,095,499	39,185,852	27,368,175
7. Claims adjustment expenses (Line 20)	934,625	824,833	641,524	496,722	
8. Total administrative expenses (Line 21)	12,823,777	7,926,421	6,635,238	5,068,055	5,074,832
9. Net underwriting gain (loss) (Line 24)	9,590,485	12,298,025	5,305,418	5,109,857	1,593,891
10. Net investment gain (loss) (Line 27)	482,279	184,044	225,346	346,723	495,801
11. Total other income (Lines 28 plus 29)	17,762	609	456	36	
12. Net income or (loss) (Line 32)	6,819,526	7,916,596	3,660,606	3,607,559	2,089,692
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	20,448,035	15,003,834	8,520,273	4,647,252	1,121,143
14. Authorized control level risk-based capital	5,317,239	3,225,169	2,428,216	1,920,705	1,490,168
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	87,325	68,568	46,845	33,434	23,684
16. Total members months (Column 6, Line 7)	980,917	692,288	481,992	350,035	240,371
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5)x 100.0					
17. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical (Line 18)	79	75	81	79	81
19. Cost containment expenses		X X X	X X X	X X X	X X X
20. Other claims adjustment expenses	1				
21. Total underwriting deductions (Line 23)	88	84	92	91	95
22. Total underwriting gain (loss) (Line 24)	6	13	8	10	5
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 12, Column 5)	13,155,757	6,717,970	4,831,094	5,251,986	2,969,069
24. Estimated liability of unpaid claims-[prior year (Line 12, Column 6)]	11,585,133	8,673,014	7,047,200	6,129,629	2,908,771
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1) ...					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2) ...					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30					

SCHEDULE D - SUMMARY BY COUNTRY
Long-term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	1,796,586	1,790,855	2,198,878	1,739,490
	2.	Canada				
	3.	Other Countries				
	4.	Totals	1,796,586	1,790,855	2,198,878	1,739,490
States, Territories and Possessions (Direct and Guaranteed)	5.	United States				
	6.	Canada				
	7.	Other Countries				
	8.	Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States	1,083,099	1,086,596	1,125,775	1,000,000
	10.	Canada				
	11.	Other Countries				
	12.	Totals	1,083,099	1,086,596	1,125,775	1,000,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States	1,008,398	1,004,583	1,039,934	900,000
	14.	Canada				
	15.	Other Countries				
	16.	Totals	1,008,398	1,004,583	1,039,934	900,000
Public Utilities (unaffiliated)	17.	United States				
	18.	Canada				
	19.	Other Countries				
	20.	Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States	796,908	786,436	850,720	760,000
	22.	Canada				
	23.	Other Countries				
	24.	Totals	796,908	786,436	850,720	760,000
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	4,684,991	4,668,470	5,215,307	4,399,490
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States				
	28.	Canada				
	29.	Other Countries				
	30.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States	225,743	233,994	230,475	
	32.	Canada				
	33.	Other Countries				
	34.	Totals	225,743	233,994	230,475	
Industrial and Miscellaneous (unaffiliated)	35.	United States	144,319	136,317	154,580	
	36.	Canada				
	37.	Other Countries				
	38.	Totals	144,319	136,317	154,580	
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks	370,062	370,311	385,055	
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States				
	46.	Canada				
	47.	Other Countries				
	48.	Totals				
Industrial and Miscellaneous (unaffiliated)	49.	United States				
	50.	Canada				
	51.	Other Countries				
	52.	Totals				
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks				
	55.	Total Stocks	370,062	370,311	385,055	
	56.	Total Bonds and Stocks	5,055,053	5,038,781	5,600,362	

SCHEDULE D - Verification Between Years

1. Book/adjusted carrying value of bonds and stocks, prior year ..	<u>4,282,277</u>	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	<u>1,825,161</u>	6.1 Column 15, Part 1.....	
3. Increase (decrease) by adjustment:		6.2 Column 19, Part 2, Section 1.....	
3.1 Columns 12 + 13 - 14, Part 1.....	<u>(338,903)</u>	6.3 Column 16, Part 2, Section 2.....	
3.2 Column 18, Part 2, Section 1.....	<u>(1,823)</u>	6.4 Column 15, Part 4.....	
3.3 Column 15, Part 2, Section 2.....			
3.4 Column 14, Part 4.....	<u>(6,959)</u>	7. Book/adjusted carrying value at end of current period.....	<u>5,055,053</u>
4. Total gain (loss), Column 19, Part 4.....	<u>1,623</u>	8. Total valuation allowance.....	
5. Deduct consideration for bonds and stocks disposed of		9. Subtotal (Lines 7 plus 8).....	<u>5,055,053</u>
Column 7, Part 4.....	<u>706,323</u>	10. Total nonadmitted assets.....	
		11. Statement value of bonds and stocks, current period.....	<u>5,055,053</u>

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

		1	2	Direct Business Only					
		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6	7	8
State, Etc.				Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/Casualty Premiums
1.	Alabama (AL)	No ..	No ..						
2.	Alaska (AK)	No ..	No ..						
3.	Arizona (AZ)	No ..	No ..						
4.	Arkansas (AR)	No ..	No ..						
5.	California (CA)	No ..	No ..						
6.	Colorado (CO)	No ..	No ..						
7.	Connecticut (CT)	No ..	No ..						
8.	Delaware (DE)	No ..	No ..						
9.	District of Columbia (DC)	No ..	No ..						
10.	Florida (FL)	No ..	No ..						
11.	Georgia (GA)	No ..	No ..						
12.	Hawaii (HI)	No ..	No ..						
13.	Idaho (ID)	No ..	No ..						
14.	Illinois (IL)	No ..	No ..						
15.	Indiana (IN)	No ..	No ..						
16.	Iowa (IA)	No ..	No ..						
17.	Kansas (KS)	No ..	No ..						
18.	Kentucky (KY)	No ..	No ..						
19.	Louisiana (LA)	No ..	No ..						
20.	Maine (ME)	No ..	No ..						
21.	Maryland (MD)	No ..	No ..						
22.	Massachusetts (MA)	No ..	No ..						
23.	Michigan (MI)	No ..	Yes ..			151,862,631			
24.	Minnesota (MN)	No ..	No ..						
25.	Mississippi (MS)	No ..	No ..						
26.	Missouri (MO)	No ..	No ..						
27.	Montana (MT)	No ..	No ..						
28.	Nebraska (NE)	No ..	No ..						
29.	Nevada (NV)	No ..	No ..						
30.	New Hampshire (NH)	No ..	No ..						
31.	New Jersey (NJ)	No ..	No ..						
32.	New Mexico (NM)	No ..	No ..						
33.	New York (NY)	No ..	No ..						
34.	North Carolina (NC)	No ..	No ..						
35.	North Dakota (ND)	No ..	No ..						
36.	Ohio (OH)	No ..	No ..						
37.	Oklahoma (OK)	No ..	No ..						
38.	Oregon (OR)	No ..	No ..						
39.	Pennsylvania (PA)	No ..	No ..						
40.	Rhode Island (RI)	No ..	No ..						
41.	South Carolina (SC)	No ..	No ..						
42.	South Dakota (SD)	No ..	No ..						
43.	Tennessee (TN)	No ..	No ..						
44.	Texas (TX)	No ..	No ..						
45.	Utah (UT)	No ..	No ..						
46.	Vermont (VT)	No ..	No ..						
47.	Virginia (VA)	No ..	No ..						
48.	Washington (WA)	No ..	No ..						
49.	West Virginia (WV)	No ..	No ..						
50.	Wisconsin (WI)	No ..	No ..						
51.	Wyoming (WY)	No ..	No ..						
52.	American Samoa (AS)	No ..	No ..						
53.	Guam (GU)	No ..	No ..						
54.	Puerto Rico (PR)	No ..	No ..						
55.	U.S. Virgin Islands (VI)	No ..	No ..						
56.	Canada (CN)	No ..	No ..						
57.	Aggregate other alien (OT)	X X X ..	X X X ..						
58.	TOTAL (Direct Business)	X X X ..	(a). 1 ..			151,862,631			
DETAILS OF WRITE-INS									
5701	.....							
5702	.....							
5703	.....							
5798.	Summary of remaining write-ins for Line 57 from overflow page								
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)								

(a) Insert the number of yes responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

Caidan Enterprises, Inc. (Federal Employer Identification # 52-2422207)

Organization Governance and Ownership Structure:

Equity Shareholders

Shareholders at December 31, 2004:

D. Cotton, M.D.	94%
J. Cotton	10%
S. Cotton	10%
M. Cotton	10%
T. Lauzon	6%
	100%

Health Plan of Michigan, Inc. (MI; NAIC # 52563; Federal Employer Identification # 38-3253977)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2004:

Caidan Enterprises, Inc.	100%
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Meridian Health Plan, Inc. (OH, Federal Employer Identification # 20-1398918)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2004:

SCHEDULE Y - INFORMATION CONCERNING ACTI
MEMBERS OF A HOLDING COMPANY GROU
PART 1 - ORGANIZATIONAL CHART

Caidan Enterprises, Inc. 100%

Caidan Management Company, Inc (MI, Federal Employer Identification # 36-4559356)
Organization Governance and Ownership Structure:

Equity Shareholders
Board of Directors

Shareholders at December 31, 2004:
Caidan Enterprises, Inc. 100%

Health Management, Inc. (common ownership with Health Plan of Michigan, Inc. majority stockholder)
(Federal Employer Identification # 38-3360283)
Shareholders at December 31, 2004:
D. Cotton, M.D. 100%